

# **APPROPRIATIONS AND REVENUE COMMITTEE PRESENTATION**

## **2020 – 2022 GOVERNOR'S RECOMMENDED BUDGET**

**FEBRUARY 4, 2020**

**Office of State Budget Director**

# A Responsible Budget

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- Is **balanced** and transparent
- **Adheres** to the revenue estimates of the Consensus Forecasting Group & all resources identified
- As **structurally balanced** as the 2018-20 enacted budget
- **Fund transfer** amounts that are much lower than the average amount for the last 13 budgets
- Protects the **Budget Reserve Trust Fund**, Kentucky's rainy day fund, and adds to it

# Values in Governor Beshear's 2020 – 2022 Budget Recommendation

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- Public Education
- Health Care
- Children and Families
- Good-Paying Jobs
- Public Employees and Pensions

# No Spending Cuts/Reinvestment

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- There are no General Fund spending cuts in Governor Beshear's budget.
- This is first budget since the 2006-2008 biennium with no cuts. Over \$2.3 billion in General Fund budget cut over 19 instances have taken place since fiscal year 2008.
- Begins the reinvestment in services that break the cycle of poverty

# Prior Year Budget Cuts

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| <b>No.</b> | <b>Fiscal Year</b> | <b>Description</b>                      | <b>Amount<br/>(millions \$)</b> | <b>Most Common<br/>% Cut</b> |
|------------|--------------------|---|---------------------------------|------------------------------|
| 1          | 2008               | Budget Reduction Mid-Year               | 76                              | 3.0%                         |
| 2          | 2009               | Specified in Budget Bill                | 176                             | 12.0%                        |
| 3          | 2009               | Mandated by Budget Bill but Unidentifie | 180                             | 4.5%                         |
| 4          | 2009               | Budget Reduction Mid-Year               | 147                             | 4.0%                         |
| 5          | 2010               | Budget Reduction Mid-Year               | 273                             | 4.0%                         |
| 6          | 2010               | Budget Reduction Mid-Year               | 49                              | 3.0%                         |
| 7          | 2011               | Specified in Budget Bill                | 61                              | 3.5%                         |
| 8          | 2011               | Mandated by Budget Bill but Unidentifie | 131                             | 1.5%                         |
| 9          | 2012               | Specified in Budget Bill                | 81                              | 1.0%                         |
| 10         | 2012               | Mandated by Budget Bill but Unidentifie | 169                             | 2.0%                         |
| 11         | 2013               | Specified in Budget Bill                | 140                             | 8.4%                         |
| 12         | 2013               | Mandated by Budget Bill but Unidentifie | 40                              | NA                           |
| 13         | 2014               | Specified in Budget Bill                | 6                               | NA                           |
| 14         | 2015               | Specified in Budget Bill                | 60                              | 5.0%                         |
| 15         | 2016               | Specified in Budget Bill                | 12                              | NA                           |
| 16         | 2016               | 2016-18 Budget Bill                     | 53                              | 4.50%                        |
| 17         | 2017               | 2016-18 Budget Bill                     | 145                             | 9.00%                        |
| 18         | 2018               | Budget Reduction Mid-Year               | 132                             | 5.10%                        |
| 19         | 2019               | 2018-20 Budget Bill                     | 320                             | 6.25%                        |

# Education First

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- **\$2,000 Teacher Salary Increase:** \$97.7 million in FY 21 and \$90.9 million in FY 22. One-time base increase to FY 21 cohort. Direct funding to all school districts – not through SEEK formula.
- **SEEK Per Pupil Base Increase:** \$39 million in FY 21 and \$48.5 million in FY 22. Increases base per pupil by \$40 from \$4,000 to \$4,040. Usual source for employee raises.
- **Retired Teachers' Medical Benefits:** \$61.7 million in FY 21 and \$68.4 million in FY 22 to fully fund
- **Retired Teachers' Pensions:** \$0.5 million in FY 21 and \$14.8 million in FY 22 to fully fund after using expiring debt service of \$8.9 million in FY 21 and \$27.6 million in FY 22

# Education First

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- **Textbooks:** \$22 million over the biennium
- **Preschool and Early Learning Funding for Disadvantaged Areas:** \$5 million each year for preschool & early learning programs in disadvantaged areas
  - ▣ Additional budget provisions that direct excess lottery and SEEK funds to these programs
- **Teacher Loan Forgiveness/Teacher Scholarships:**
  - ▣ Reinstitute: \$4.2 million for a total funding level of \$6.2 million over the biennium

# Education First

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- ❑ **School Safety:** \$18.2 million in bond funds for school building security upgrades
- ❑ **School Facilities:** offers of assistance of \$100 million
- ❑ **School Buses:** use Volkswagen settlement funds to replace 150 school buses
- ❑ **Ky School for the Blind and School for the Deaf:** Bond funds of \$16.5 million for facility system repairs, maintenance and facility upgrades
- ❑ **Area Technology Center:** New regional, secondary center in Estill County - 54<sup>th</sup> in the State with instruction in FY 22

# Postsecondary Education

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- **Increase Funding for Postsecondary Education Institutions by 1%:** \$8.6 million; freeze performance funding model
- **Higher Education Resurgence Fund:** \$200 million in bond funds for asset preservation and maintenance with a matching requirement bringing the total to \$300 million
- **Student Financial Aid:** \$31.8 million in FY 21 and \$37.8 million in FY 22 with all estimated lottery revenues devoted to student financial aid programs

# Postsecondary Education

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- **University Agency Bonds:** \$430 million for 23 capital projects requested by seven institutions
- **Optometry & Veterinary School Contract Spaces:** maintain current reserved spaces
- **University Mandated Programs:** Additional funding to support several mandated programs
  - ▣ Craft Academy at Morehead State
  - ▣ Ky State University to meet their land grant match
  - ▣ University of Kentucky Press – statewide mission

# Health Care

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## □ **Medicaid**

- Fully funds the Medicaid program, including Expansion
- Additional General Fund of \$38.9 million in FY 21 and \$199 million in FY 22.
- Shifts in state matching rates-KCHIP, FMAP, Expansion

## □ **Additional Medicaid Waiver Slots**

- Additional \$3.5 million in FY 21 and \$7 million in FY 22
- Michelle P. – Includes 500 additional slots
- Supports for Community Living – Includes 100 additional slots

# Health Care

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- **Louisville's Health Care System:**

- \$35 million in bond funds to the Economic Development Cabinet to provide a loan to the University of Louisville for a public medical center that will provide direct health care services and research operations facilities

# Children and Families

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- **350 New Social Workers to Fight Abuse & Neglect:**
  - ▣ Additional \$7 million in FY 21 and \$24.5 million in FY 22
  - ▣ Raise current complement of Child Protective Services social workers from 1,309 to 1,659, a 27% increase in staffing
- **Kentucky's Children's Health Insurance Program (KCHIP):**
  - ▣ Additional \$12 million over the biennium (\$1 million General Fund each year leverages \$5m federal funds each year)
  - ▣ Effort to fully enroll all children eligible for KCHIP

# Children and Families

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- **Preserving Child Support Enforcement:**
  - ▣ Adds \$13 million over the biennium preserving \$26 million in federal funding
  - ▣ TANF recoveries have fallen drastically requiring this fund replacement to save the program
  
- **Supporting Programs that Assist Victims of Domestic Violence:** \$1 million each year to for the Ky Coalition Against Domestic Violence to administer batterer intervention services

# Pensions – Quasi Governmental Agencies

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- Adds **\$50 million each year** to meet Quasi's halfway - fund half of increase from current frozen rate of 49.47%
- Quasi Governmental Agencies provide same increased amount which increases contributions to 67.41%
- Result is an increase to a new **84.41% rate**
- Local Health Departments, Community Mental Health Centers, Universities/KCTCS, Child Advocacy Centers, Domestic Violence Centers, Rape Crisis Centers

# Pensions – Quasi Governmental Agencies & Fully Funding Pensions

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- **84.41%** results in \$110 million more annually, **\$220 million more** over two years than the last budget
- Gap of \$25 million annually before applying Governor's salary and additional employee decisions
- The 1% salary increase for state employees plus additional social workers and revenue audit staff will **add \$17 million** in FY 21 and **\$36 million** in FY 22 in pension contributions
- Closes the gap over the biennium and fully funds the Kentucky Employees Retirement System

# Public Employees

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- **Salary Increase for State Employees**
  - ▣ \$8.5 million in FY 21 and \$23.5 million in FY 22 from the General Fund to provide a 1% salary increase for State Employees (\$17.5 and \$45.8 million All Funds cost)
- **Pensions & Health Insurance**
  - ▣ Fully funds the pension contribution for state employees & school district employees (General Fund amounts below)
    - \$56.5 million in FY 21 and \$63.9 million in FY 22
      - Non-hazardous Plan – from 83.43% to 93.01%
      - State Police Plan – from 146.28% to 156.97%
    - \$9.3 million in FY 21 and \$34 million in FY 22 for increased health insurance premium contributions

# Public Safety and Victim Services

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- ❑ **Improved Compensation for Law Enforcement and Firefighters**
  - ▣ Increase stipend by \$600 from \$4,000 to \$4,600
  - ▣ Over 8,000 law enforcement officers
  - ▣ Over 3,800 firefighters
- ❑ **Kentucky State Police – Salary Increase**
  - ▣ \$5.3 million in FY 21 and \$8.6 million in FY 22
  - ▣ Troopers/Sworn Personnel new salary schedule
- ❑ **Firefighters – PTSD Treatment**
  - ▣ \$2.5 million over the biennium from the Firefighters Foundation Program Fund

# Public Safety and Victim Services

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- **Kentucky State Police – Crime Lab**
  - ▣ Rapid DNA and Improve State Police Laboratory Staff Salaries - \$3 million each year
- **State Prosecutors** - \$3 million each year for additional staff
- **County Attorneys** – \$840,000 each year: additional \$7,000 per county office to support operating expenses

# A Responsible Budget

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# A Responsible Budget

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- Builds a rational and affordable **capital improvement plan** focusing on maintaining our postsecondary education and state government physical assets
- The Commonwealth has a **debt affordability policy** where its debt payments stay within 6% of state revenues. This budget is significantly below that policy cap, at **5.27%**.

# A Responsible Budget

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- Includes a **modest revenue proposal** that represents just 0.6% of total General Fund resources
- Plans for funding our **known liabilities**
- Has total General Fund appropriations that increase by **1.5%** in fiscal year 2021 and by another **2.4%** in fiscal year 2022

# A Responsible Budget

## Structural Balance Analysis (in millions \$)

| <b>Structural Imbalance Coming into 2020-2022 Budget</b>   | <b>FY 2020<br/>Enacted 1</b> | <b>FY 2020<br/>Enacted 2</b> | <b>Impact from<br/>2019 Session</b> | <b>FY 2022<br/>Governor</b> |
|--|------------------------------|------------------------------|-------------------------------------|-----------------------------|
| Second Year Beginning Balance  | \$ -                         | \$ -                         | \$ -                                | \$ 85.2                     |
| KTRS-Medical - funded in FY 2020 with FY 2019 Surplus  | 70.0                         | 70.0                         | 68.4                                | -                           |
| Fund Transfers greater than \$100 million (13 budget average \$190 million)*                             | 215.9                        | 38.8                         | 38.8                                | 35.0                        |
| Textbooks in FY 2022 with continuing appropriation   | -                            | -                            | -                                   | 8.5                         |
| 2019 Session-use of Budget Reserve & Unbudgeted Ending Balance for FY 2020 tax cuts & new appropriations | 28.8                         | 28.8                         | 28.8                                | -                           |
| Known Settlements  | -                            | -                            | -                                   | 5.6                         |
| Net impact of Bank Franchise tax repeal in 2019  | -                            | -                            | 61.0                                | -                           |
| <b>Total Use of Non-recurring Funds</b>  |                              |                              |                                     |                             |
| FY 2020 General Fund Enacted Appropriations  | \$ 11,600.9                  | \$ 11,600.9                  | \$ 11,600.9                         | -                           |
| FY 2022 Recommended General Fund Enacted Appropriations  | -                            | -                            | -                                   | \$ 12,273.9                 |
| <b>Structural Imbalance Percentage</b>   | <b>2.7%</b>                  | <b>1.2%</b>                  | <b>1.7%</b>                         | <b>1.1%</b>                 |

\*FY 2020 Enacted 1=all transfers less \$100 million.

\*FY 2020 Enacted 2 assumes \$177 million deposit to the Budget Reserve Trust Fund

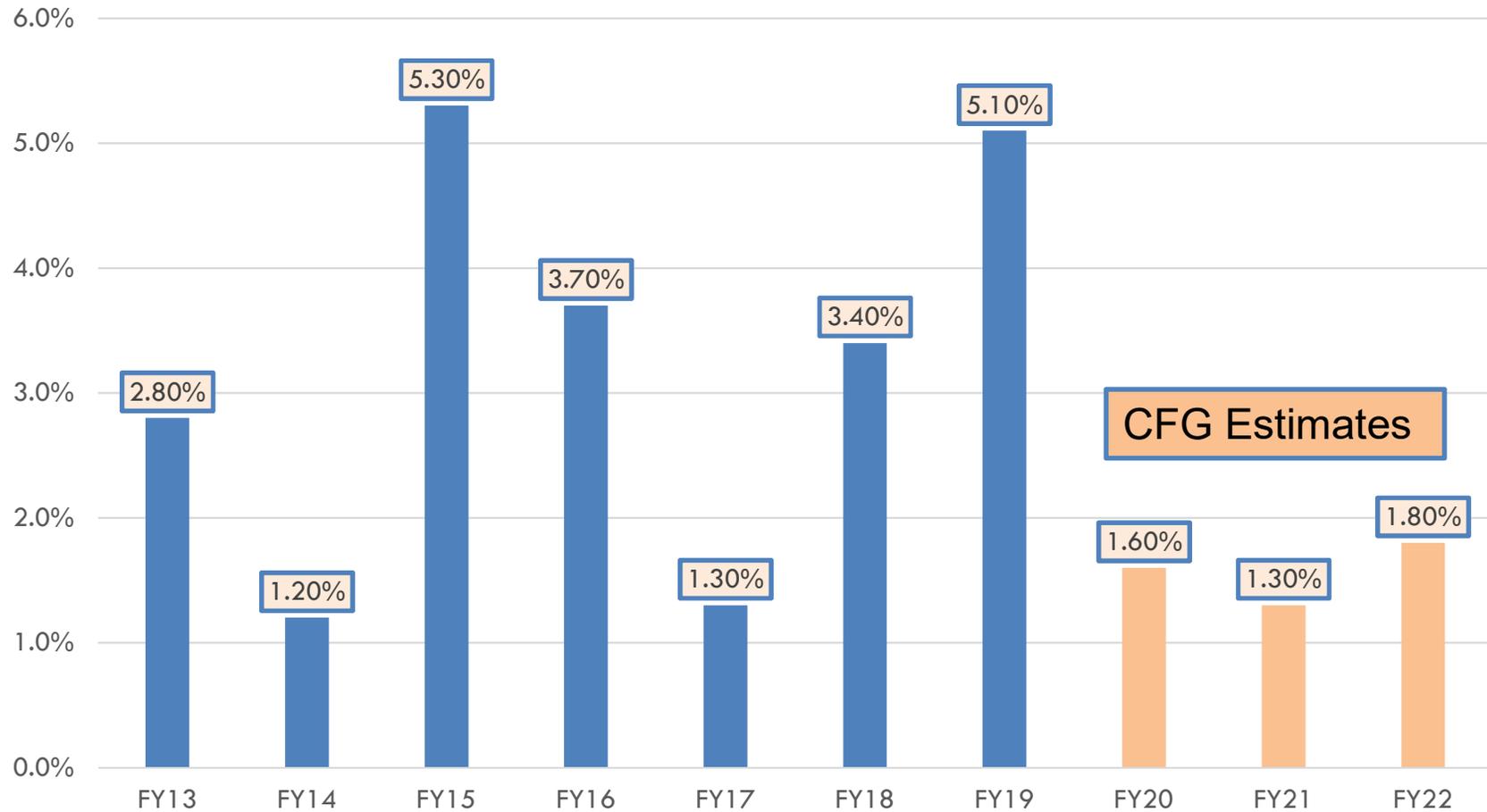
# General Fund Forecast FY 2020-22

(Million \$, Official CFG estimates from December 17, 2019)

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|                           | <u>FY20</u>     |            | <u>FY21</u>     |            | <u>FY22</u>     |            |
|---------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
|                           | Estimate        | %Chg       | Estimate        | %Chg       | Estimate        | %Chg       |
| Individual Income         | 4,672.9         | 2.8        | 4,794.3         | 2.6        | 4,925.7         | 2.7        |
| Sales & Use               | 4,193.6         | 6.5        | 4,241.2         | 1.1        | 4,340.2         | 2.3        |
| Corp. Inc. & LLET         | 636.7           | -16.5      | 600.9           | -5.6       | 677.4           | 12.7       |
| Property                  | 657.1           | 1.6        | 671.7           | 2.2        | 695.0           | 3.5        |
| Lottery                   | 271.0           | 2.7        | 277.0           | 2.2        | 283.0           | 2.2        |
| Cigarettes                | 344.9           | -2.4       | 337.3           | -2.2       | 329.5           | -2.3       |
| Coal Severance            | 56.0            | -39.7      | 45.9            | -18.1      | 36.9            | -19.5      |
| Other                     | 744.0           | -5.9       | 753.9           | 1.3        | 641.6           | -14.9      |
| <b>Total General Fund</b> | <b>11,576.2</b> | <b>1.6</b> | <b>11,722.2</b> | <b>1.3</b> | <b>11,929.3</b> | <b>1.8</b> |

# General Fund Growth Since FY13



# Why Modest Revenue Growth?

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- Moderate risk for a recession
- Kentucky economic conditions slightly worse than the national average
- Reduced annual fiscal impacts from 2018 tax law changes in Kentucky

# Estimated Fiscal Impacts of Recent Legislative Changes

## HB 487 from 2018, HB 354 and 458 from 2019

| Total For All Tax Bills 2018 & 2019 | Fiscal Impact (\$ million) |                   |                  |                  |                   |
|-------------------------------------|----------------------------|-------------------|------------------|------------------|-------------------|
|                                     | FY20                       | FY21              | FY22             | FY23             | FY24              |
| Sales Tax                           | \$ 264.3                   | \$ 274.6          | \$ 275.8         | \$ 276.3         | \$ 276.8          |
| Cigarette Tax                       | \$ 110.0                   | \$ 104.5          | \$ 99.3          | \$ 94.3          | \$ 89.6           |
| Personal Income Tax                 | \$ (132.0)                 | \$ (148.4)        | \$ (144.3)       | \$ (144.3)       | \$ (144.3)        |
| Corporate Income Tax                | \$ (75.5)                  | \$ (71.0)         | \$ (37.3)        | \$ (36.5)        | \$ (95.7)         |
| LLET                                | \$ -                       | \$ (1.3)          | \$ (1.3)         | \$ (1.3)         | \$ (1.3)          |
| Bank Franchise Tax                  | \$ -                       | \$ -              | \$ (120.0)       | \$ (122.0)       | \$ (124.0)        |
| Telecomm Tax                        | \$ 5.5                     | \$ 6.0            | \$ 6.0           | \$ 6.0           | \$ 6.0            |
| Wine Wholesale                      | \$ (0.3)                   | \$ (0.3)          | \$ (0.3)         | \$ (0.3)         | \$ (0.3)          |
| Property Tax                        | \$ -                       | \$ (4.1)          | \$ (4.2)         | \$ (4.3)         | \$ (4.4)          |
| TVA PILOT HB114 2018                | \$ (4.0)                   | \$ (6.0)          | \$ (6.0)         | \$ (6.0)         | \$ (6.0)          |
|                                     | <b>\$ 168.015</b>          | <b>\$ 153.965</b> | <b>\$ 67.590</b> | <b>\$ 61.826</b> | <b>\$ (3.689)</b> |

# Road Fund Forecast for FY20-22

(Million \$, Official CFG estimates from December 17, 2019)

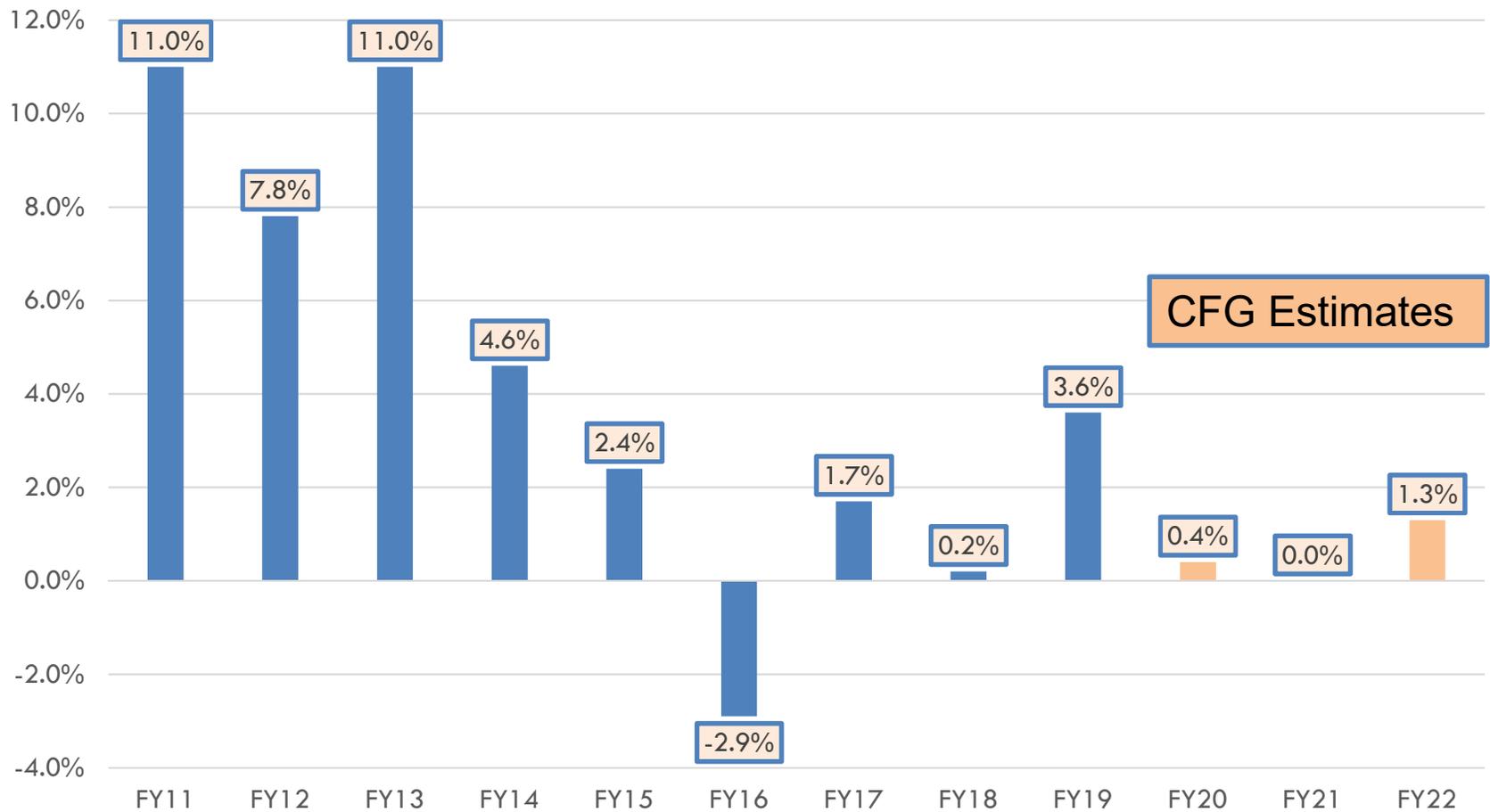
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## Control Forecast

|                        | FY20           |            | FY21           |            | FY22           |            |
|------------------------|----------------|------------|----------------|------------|----------------|------------|
|                        | Estimate       | %Chg       | Estimate       | %Chg       | Estimate       | %Chg       |
| Motor Fuels            | 779.0          | 0.7        | 783.6          | 0.6        | 787.8          | 0.5        |
| Motor Vehicle Usage    | 532.6          | 3.5        | 523.5          | (1.7)      | 531.0          | 1.4        |
| MV License             | 116.3          | (3.8)      | 119.7          | 2.9        | 123.1          | 2.8        |
| MV Operators           | 17.1           | 2.8        | 18.3           | 7.0        | 21.7           | 18.6       |
| Weight Distance        | 84.1           | 0.5        | 84.6           | 0.6        | 85.0           | 0.5        |
| Investment             | 3.7            | (69.0)     | 2.4            | (35.1)     | 2.3            | (4.2)      |
| Other                  | 40.0           | (11.4)     | 41.3           | 3.3        | 42.2           | 2.2        |
| <b>Total Road Fund</b> | <b>1,572.8</b> | <b>0.4</b> | <b>1,573.4</b> | <b>0.0</b> | <b>1,593.1</b> | <b>1.3</b> |

# Road Fund Growth Since FY11

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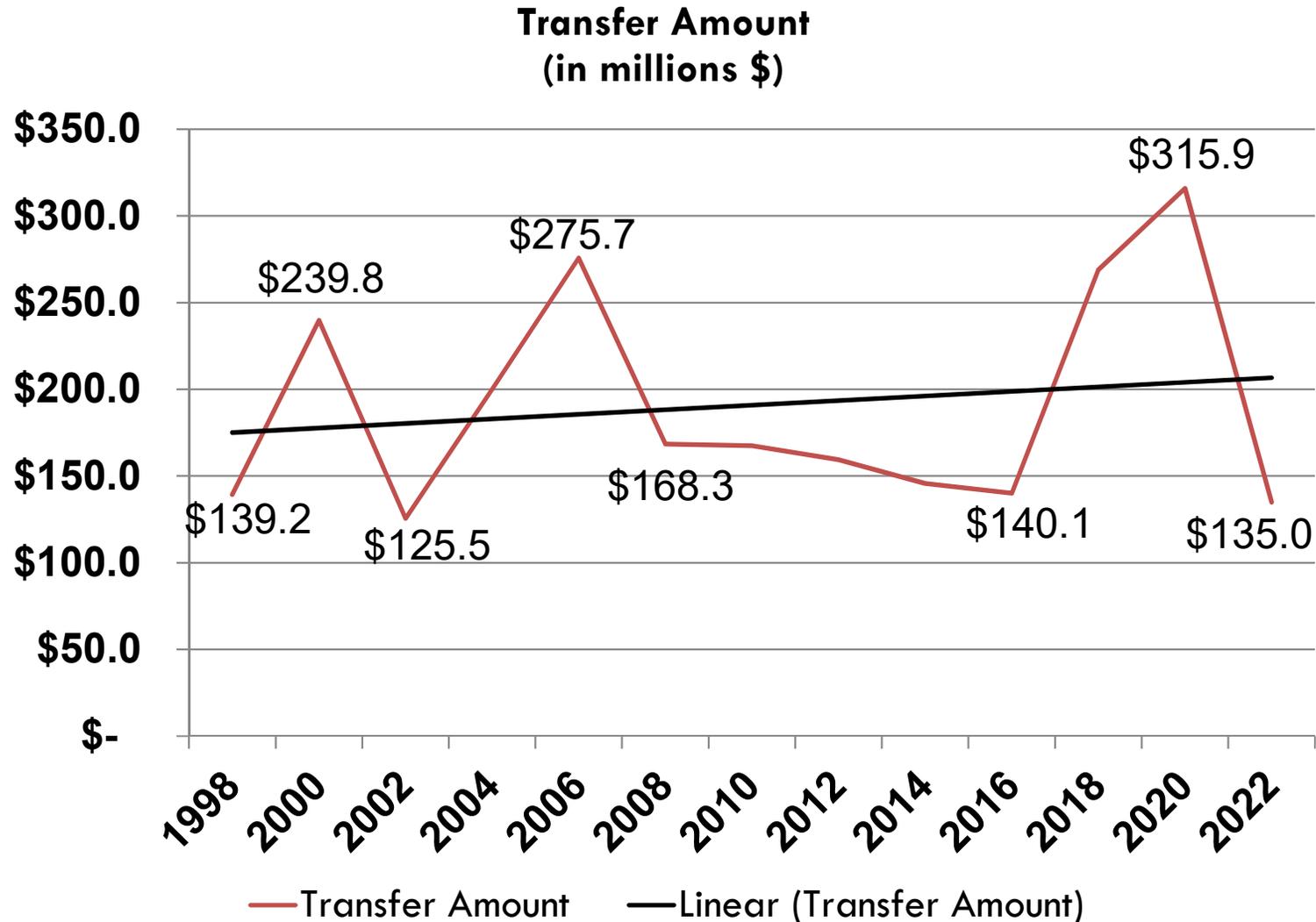
# Fund Transfers to the General Fund

|               |               |               |
|---------------|---------------|---------------|
| 2022 Proposed | \$134,960,200 | \$288,159,300 |
| 2021 Proposed | \$153,199,100 |               |

|              |               |               |
|--------------|---------------|---------------|
| 2020 Enacted | \$315,851,900 | \$622,865,556 |
| 2019         | \$307,013,656 |               |
| 2018         | \$268,937,686 | \$609,488,978 |
| 2017         | \$340,551,292 |               |
| 2016         | \$140,134,115 | \$362,688,060 |
| 2015         | \$222,553,945 |               |
| 2014         | \$145,692,099 | \$254,869,782 |
| 2013         | \$109,177,683 |               |
| 2012         | \$159,330,679 | \$284,441,165 |
| 2011         | \$125,110,486 |               |
| 2010         | \$167,400,806 | \$511,933,965 |
| 2009         | \$344,533,159 |               |

# Fund Transfers – the last Quarter Century

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# Fund Transfers Approach

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- ❑ **Data-Driven Fiscal Analysis**
- ❑ **Excess, Unbudgeted Prior Year Balances**
- ❑ **Receipts in Excess of Needed Spending**
- ❑ **Example of Occupational Boards & Commissions**
  - ▣ FY 2020 beginning balances range from 80% of annual expenditures to 220% of annual expenditures
  - ▣ No fee increases needed due to fund transfers
  - ▣ Operating liquidity and biennial calendars taken fully into consideration

# Available General Fund Resources

|   | (in millions of \$) |                      |                      | Three-Year<br>Sum |
|---|---------------------|----------------------|----------------------|-------------------|
|   | <u>FY 2020</u>      | <u>FY 2021</u>       | <u>FY 2022</u>       |                   |
| <b>Consensus Forecast - Increase in Revenues</b>  | \$114.2             | \$260.2              | \$467.3              | \$841.7           |
| <b>Excess Available Funds (Fund Transfers)</b><br>Compared to FY 2020 enacted                       |                     | \$153.2<br>(\$162.7) | \$135.0<br>(\$180.9) | \$288.2           |
| <b>Maximizing Resources</b><br>Examples: impact of retiring debt, settlements, enhanced collections | \$50.0              | \$76.6               | \$129.8              | \$256.3           |
| <b>Revenue Proposal</b>   |                     | \$73.1               | \$74.6               | \$147.7           |

# Increase in Resources to Balance the Budget

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|                           | (in millions of \$) |                 |                 | Biennial          |
|---------------------------|---------------------|-----------------|-----------------|-------------------|
|                           | <b>FY 2020</b>      | <b>FY 2021</b>  | <b>FY 2022</b>  | <b>Total</b>      |
| Official Revenue Estimate | \$ 114.2            | \$ 260.2        | \$ 467.3        | \$ 841.7          |
| Excess Available Funds    | -                   | 14.4            | (3.9)           | 10.5              |
| Maximizing Resources      | 50.0                | 76.6            | 129.8           | 256.4             |
| Modest Revenue Proposal   | \$ -                | \$ 73.1         | \$ 74.6         | \$ 147.7          |
|                           | <b>\$ 164.2</b>     | <b>\$ 424.3</b> | <b>\$ 667.8</b> | <b>\$ 1,256.2</b> |

# Maximizing Resources

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|   | (in millions of \$) |               |                | Three-Year     |
|---|---------------------|---------------|----------------|----------------|
|   | FY<br>2020          | FY<br>2021    | FY 2022        | Sum            |
| <b>Maximizing Resources</b>                 |                     |               |                |                |
| Retired or Lower Debt Service on Past Bonds | \$30.7              | \$27.4        | \$64.4         | \$122.5        |
| Enhanced Collections/Other Resources        |                     | 8.6           | 44.2           | 52.8           |
| Lower Severance Dedication                  |                     | 11.4          | 14.3           | 25.8           |
| Settlements                                 | 13.8                | 5.6           | 5.6            | 25.0           |
| Maximizing Agency's non-General Funds       |                     | 24.4          |                | 24.4           |
| Lapses & Baseline Adjustments               | \$5.5               | (\$0.9)       | \$1.2          | \$5.8          |
| <b>Total</b>                                | <b>\$50.0</b>       | <b>\$76.6</b> | <b>\$129.7</b> | <b>\$256.3</b> |

# Maximizing Resources

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## □ Enhanced Revenue Collection

- \$1.5 million in FY 21 and \$5 million in FY 22 to hire additional audit and related staff
- Utilization of the new Integrated Tax System
- These efforts will enhance tax collections by **\$8.6 million** in FY 21 and **\$29.2 million** in FY 22

# 2020-2022 Revenue Proposal

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## □ Cigarettes

- Raise the tax on cigarettes by 10 cents, from \$1.10 per pack to \$1.20 per pack
- **\$21.5 million in FY 2021    \$17.9 million in FY 2022**

## □ Other Tobacco Products

- Change the rates on Other Tobacco Products to mirror cigarette tax rate of \$1.20 per pack
- Raise tax on Moist Snuff and Chewing Tobacco from \$0.19 per unit to \$0.38 per unit; raise the tax rate on other tobacco products (OTP which includes cigars) from 15% on the average wholesale price to 30%
- **\$20.0 million in FY 2021    \$17.2 million in FY 2022**

# 2020-2022 Revenue Proposal

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## □ **E-Cigarettes / Vaping**

- 19 states and the District of Columbia tax vaping products
- Kentucky - Tax at a rate of \$0.10 per fluid milliliters
- **\$8.8 million in FY 2021    \$8.8 million in FY 2022**

## □ **LLET Minimum Tax**

- Raise the minimum tax from \$175 to \$225 annually
- Equates to indexing the original \$175 for inflation
- **\$8.2 million in FY 2021    \$8.2 million in FY 2022**

# 2020-2022 Revenue Proposal

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## □ **Sports Wagering**

- House Bill 137 - 2020 Regular Session
- Authorizes sports wagering at horse tracks, professional sports venues, and/or online applications
- Authorizes fantasy sports and online poker
- Permits wagering on college sports
- **\$14.6 million in FY 2021 \$22.5 million in FY 2022**

## □ **TOTAL REVENUES:**

- **\$73.1 million in FY 2020-21**
- **\$74.6 million in FY 2021-22**

# Local Governments

40

- **Return Coal Severance Revenues to Coal Counties:**
  - ▣ After Debt Service on past Water/Sewer and School Facilities funding and administrative costs, return Coal Severance tax revenues to Coal Counties
  - ▣ \$10.3 million in FY 21 and \$7.5 million in FY 22 through the Local Government Economic Assistance Fund
- **State Share of County Elections and Voter Registration:**
  - ▣ Restores funding to statutory rate of reimbursement to counties for the state share of county election and voter registration costs
- **Equal Pay Audit** – \$1 million each year to provide resources for local governments to voluntarily conduct equal pay for equal work audits

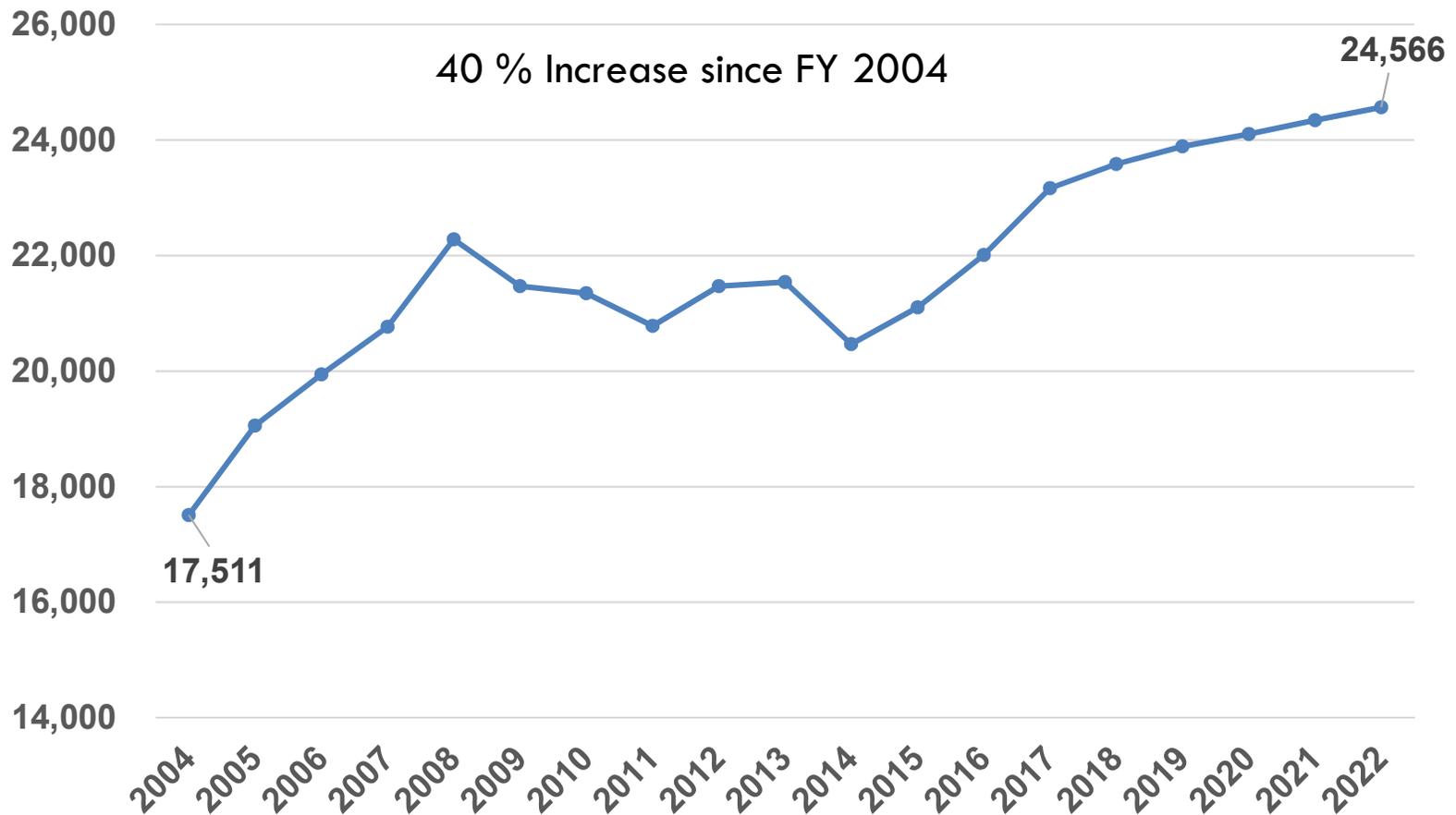
# The Corrections Budget Challenge

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- Incarcerated Population Growth
- Loss of Prison Beds
- Staff Recruitment and Retention
- Rising Medical Costs

# Incarcerated Population 2004 – 2022 Reaching 24,566

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# Loss of Prison Beds Since Fiscal Year 2016

43

## Loss of 1,269 Beds

- **Kentucky State Reformatory**
  - 995 Medium Security Beds
  - Six Dorms Closed
- **Blackburn Correctional Complex**
  - 274 Minimum Security Beds
  - Two Dorms Closed

# Corrections Estimated Cost Increases to Maintain Operations

44

|                                       | (in millions of \$) |                |                |                |
|---------------------------------------|---------------------|----------------|----------------|----------------|
| <b>Corrections Additional Costs</b>   | <b>FY 2020</b>      | <b>FY 2021</b> | <b>FY 2022</b> | <b>Total</b>   |
| Southeast Correctional Complex        | \$3.3               | \$17.7         | \$18.2         | \$39.2         |
| 2018-20 Underfunding of Institutions  | 6.9                 | 8.2            | 10.0           | 25.1           |
| North Region Officer Locality Premium | 3.3                 | 6.0            | 6.0            | 15.3           |
| Inmate Population Increase            | 3.8                 |                | 2.3            | 6.1            |
| Higher Medical Costs                  |                     | 2.0            | 4.0            | 6.0            |
| Salary, Fringe, Debt Svc. Increases   |                     | 5.1            | 9.2            | 14.3           |
| Good Time Credit - Action Plan        |                     | 2.5            |                | 2.5            |
| <b>Total</b>                          | <b>\$17.2</b>       | <b>\$41.5</b>  | <b>\$49.8</b>  | <b>\$108.5</b> |

# Public Safety Capital Projects

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## ▣ **Emergency Radio System Replacement – Phase II**

- \$52.5 million - bond funded capital project to construct towers and expand communication coverage

## ▣ **Kentucky Educational Television – Emergency Warning and Alert**

- \$1 million – bond funds to provide critical localized alerts improving safety and preparedness

## ▣ **Water and Sewer Infrastructure**

- \$8.2 million bond funds to match \$36.6 million in federal funds to improve local drinking water and wastewater infrastructure

# Economic Development

46

- **Economic Development Capacity**
  - ▣ \$30 million in bond funds for three investment programs to recapitalize financial resources and expand jobs with good pay
- **Urban Venture Fund:** \$1.9 each year to support small business and distressed urban areas
- **Louisville Waterfront:** \$400,000 each year for the Louisville Waterfront Development

# Transportation

47

- **REAL ID:** \$4.1 million in FY 20 and over \$15 million each year to Transportation Cabinet
  - ▣ To issue Real ID motor vehicle driver licenses and personal identification cards
  - ▣ Federal Compliance by October 1, 2020
  - ▣ Planned Regional Locations
- **Lost Toll Credits - Public Transportation Funding for Local Governments**
  - ▣ \$6.7 million in FY 21 and \$8.4 million in FY 22 matching support for federal public transit grants
  - ▣ Exhausted toll credits must be replaced with state funds

# Investing in Veterans

48

- **Bowling Green Veterans Center**
  - \$2.5 million for design of a new veterans nursing center
  - Completion of the design is a prerequisite to draw federal funds for the construction of the facility
- **Nursing Staff Loan Forgiveness Program**
  - Funds are provided to initiate a new loan forgiveness program for nursing staff at veteran's centers to improve recruitment and retention – authorized by the General Assembly

# Tourism

49

- **State Fairgrounds – Trifesta Grounds Improvements**
  - ▣ \$4 million capital project for the Prestoni Grounds and Infrastructure Improvements to 10 acres located at the Kentucky Exposition Center
- **Parks**
  - ▣ \$2.7 million in FY 20 to address prior year shortfall
  - ▣ \$10 million for major maintenance
  - ▣ \$10 million in bond funds for wastewater treatment plans improvements across Kentucky Parks system

# Other Government Areas

50

- **Commission on Women**
  - ▣ Reinstates the Commission
  
- **Commission on Human Rights**
  - ▣ Additional \$200,000 each year to reinvest in human rights
  
- **Office of Minority Empowerment**
  - ▣ Reinstates the Office

# Fiscal Responsibility

51

- **Budget Reserve Trust Fund – “Rainy Day Fund”**
  - Balance has never exceeded 3.7% of spending
  - Beginning balance FY 20 was \$306.1 million which is 2.6% of estimated General Fund revenue
  - Ranks 46<sup>th</sup> lowest rainy day fund among the 50 states – the median is 8%
  - Priority to protect, preserve and add \$10 million to bring the balance up to \$316.1 million
  - The last several withdrawals have been by the General Assembly in the budget development process

# Fiscal Responsibility

52

- **Planning for Known Liabilities:** to further preserve the Budget Reserve Trust Fund, the Governor's Recommended budget includes \$25 million in appropriation in FY 2020 for incurred and known unbudgeted liabilities such as
  - Judgments against the Commonwealth
  - Guardian Ad Litem reimbursements
  - Courthouse Security, and
  - Maxey Flats reimbursement to federal agency
- **Known Liabilities – Judgements**
  - ▣ \$22.5 million each year for liabilities related to a currently negotiated settlement of a lawsuit

# Questions